

## Ships' officers fight for seamen's travel perks

by John Draper

LIVE in Auckland, work in Wellington—and the boss will pay the air fare every week.

It's a desk-bound executive's dream, especially if Auckland could be swapped for the Bay of Islands or Waiheke Island or... anywhere.

But for seamen, cooks and stewards working on the Cook Strait Rail ferries it is a reality. Their travelling bills cost Railways around \$400,000 a year.

And now officers who often live in the same area, if not the same street, and frequently go to work on the same flights, want their travel paid too.

Officers living outside Wellington are entitled only to concessionary travel on trains and Road Services buses to get to and from work, like all other railway employees except the seamen and sea-going cooks and stewards.

The Railways claims that officers who are classed as permanent staff are told the job is Wellington-based when

they are employed. And as Government employees they are entitled to removal expenses and help in finding housing in the Wellington area.

If they choose to live elsewhere, the travel is at their own expense.

Other ranks on board all New Zealand registered ships are regarded as industry employees and can be ordered to work on any ship out of any local port, so long as the employer pays the cost of getting aboard.

Travel allowances have been a running sore for the Railways since they were first introduced, supposedly on a year's trial in 1977.

NZR was then being pressured by the unions as well as other members of the Maritime Employers Association to pay the allowances in return for a national register of seamen, cooks and stewards.

The Jamieson Commission of Inquiry into shipping first called for a national roster to be established in 1971.

Its investigation stemmed from the Wainui dispute of 1968. At that time and through to 1977 the Seamen's and the Cooks and Stewards Unions controlled the registers and allocation of members to ships. Employers objected strongly to the union's role, if a seaman was sacked and the employers went looking for a replacement, the union concerned frequently put forward the same man as being the only one available.

Forty-three times the Seamen's Union put forward a man who had been sacked from the Union Steam Ship's Wainui, bringing coastal shipping to a halt in October 1968.

Early in its report the commission of inquiry stated: "This is a sick industry. It seems to us that this is apparent to all engaged in it, but nobody seems to be able to do a great deal about it."

As the agreement came into effect in January 1977 there were 50 port workers on board the ferries.

By June 1978 there were 105

and a year later 161. One hundred officers also live outside Wellington.

Before the agreement seamen wanting to work on the ferries had to be registered at the Wellington corner.

And when called say from Gisborne or Auckland or the Bay of Islands, a seaman had to pay his own fare to and from Wellington.

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NZR estimate that a \$100,000 now spent on fares could double if it is given into giving way to the officers.

To yield would go some to

reliability of the officers' claims that the

relativity to other shipworkers has deteriorated.

The Merchant Service Committee

also in the relatively agency

inquiry, claims the effect

mean more than \$300 in

third officer living in Australia

putting his salary below the

minimum.

Ideally the Railways, like all ferryworkers, die and seamen to be based Wellington and it suggests the commission that is

thought to be given to a proposal to make seamen permanent employees.

Realistically, Railways

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Members jealously guard

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# Don't change leaders, back the rebels

by Colin James

ONE of the most interesting sideshows of the National Party conference was a little unscheduled meeting between some backbenchers and party activists.

The meeting attracted little attention. Few knew about it. But it was in a way symbolic of the main preoccupation of the conference.

Its theme was: how to keep flying the flag the new backbench MPs have nailed to the mast in the parliamentary National Party (the caucus).

It is that flag - bedecked with the symbols of private enterprise and individual initiative - which a number of key people in the party see as the rallying point for the 1980s.

So the meeting canvassed ways of maintaining links between backbenchers and party activists in addition to the rank and file contacts in individual electorates.

As I understand it, there were suggestions of an informal network of contacts with members with specialist

expertise able to apply basic party ideology to individual issues - a sort of ginger group with a pipeline into the caucus, helping backbenchers provide an effective review of government policy.

I understand more meetings are planned for the future, though at this stage too much should not be read into them (particularly implications of leadership putches).

But the meeting mirrored concern at high level that the new MPs - most notably Ian McLean, Doug Kidd, Geoff Thompson, Michael Cox - and others now reflecting their approach should be supported to the hilt.

President George Chapman put it bluntly on the final day: the party and its government can tiptoe timidly to defeat in 1981; or it can be boldly innovative and win.

In effect, he was saying: The remnants of the Holyoake era who tiptoed to defeat in 1972 and who still festoon the upper reaches of the Cabinet will not produce bold innovation unless they are pushed; the new

backbenchers are pushers and it is through them that lies the best hope of salvation in 1981.

The cynics might say that is some hope - backbench MPs eventually get minced in the parliamentary meat grinder of overwork and patronage; these ones are just taking a little longer.

Chapman does not accept that. Nor do the MPs themselves.

Privately, some of them draw the same distinction a number of influential party people are drawing: that the 1976 intake owed their seats to the Prime Minister, but that this intake is there despite the hilt.

Chapman doesn't see it that way. He professes to see signs of a more permanent change in Government.

On television he said the process of the past few months had been a "reassessment of National's forward process. I believe we are going along the right lines now."

His April message, he said, was getting through to the electorate. The concerns of the electorate and the party were

now being reflected in caucuses and the Cabinet.

Was this an implied criticism of the leadership, an endorsement of the Quigley, Cooper, Templeton ("") minority who influenced the budget in the direction of eventual greater reliance on market forces?

Whether it was or not, and it is hard not to conclude it was

Chapman brought conference delegates face to face with two realities as I understand it: he sees them

One is that hopes for a

miracle transformation of the party through a leadership change are wishful thinking. In contrast with the mood I detected in May, there was at the conference a belief and acceptance that Muldoon will lead the party in 1981.

The low-key first day, leading up to the Prime Minister's address that evening, established that.

His address was masterly,

full of humour and mickey-

taking of the people National Party members love to hate.

He fought back good-

humouredly on three points of

criticism from within the party

- industrial relations (1981 is out), the doubling of the family benefit (most National Party people have a heart) and the fiscal regulator (Labour proposed worse in 1971). And he made a concession to the party, acknowledging its role in winning elections.

He delighted them with a

virtual endorsement of British

Prime Minister Margaret

Thatcher's attempt to sell the

white-dominated Muzorewa

Zimbabwe-Rhodesia Govern-

ment - which got prolonged

applause - and utilized with

promises of imported energy

decisions and investigation of

a customs union with

Australia.

Great stuff, but as one senior

party office-holder later

complained privately, no

substance in the sense of a

coherent, forward-looking

private-enterprise-individual

future.

But it served its purpose

bolstering those who like him

anyway and sweetening the

pill for those who don't.

The second of Chapman's

realities was that changes can

be made without a change of

leader, a distinction that has

been (understandably)

blurred in the minds of

delegates outside Auckland.

In other words, Chapman

gave them hope, because

without hope there can be no

real commitment.

First, hope in the economic

sense - Bill Birch parading

before them energy options in

an unscheduled

address

which got a standing ovation

causing one delegate to

remark that "the currency is

being debased", a series of

optimistic discussion groups

led by Ministers and MPs on

New Zealand in the 1960s and a

travologue of world-wide

opportunities for New Zealand

economically and politically

from the recently peripatetic general

director, Barrie Leay (who

also got a standing ovation

which caused a wag to com-

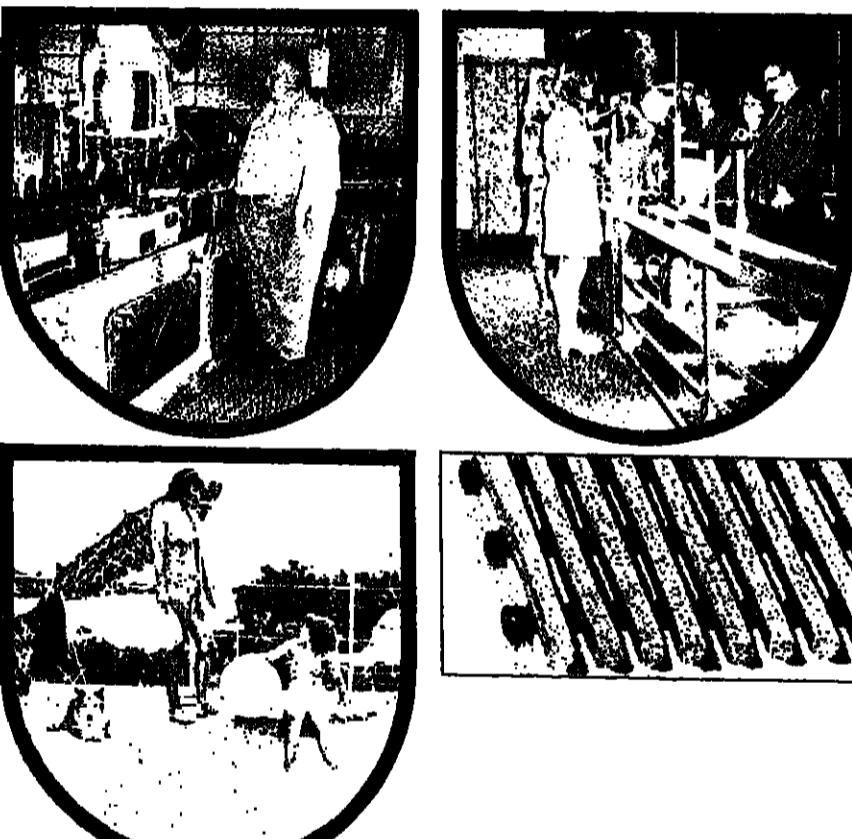
ment that the currency had

now turned to toy money).

The common theme of these

messages was that New

Zealanders, behind hotel bars. Put Supa-Duck under foot wherever people are on their feet. They'll be more comfortable. And that means greater efficiency and job satisfaction. Less fatigue and tension. Supa-Duck. It's tough. Lasting. Functional. In three grades. Industrial, domestic and Supa Grip.



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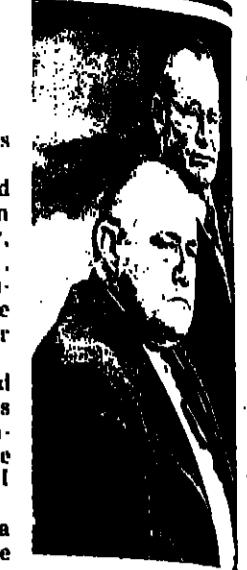
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Christchurch PO Box 22 291 Telephone 891 009  
Dunedin PO Box 579 Telephone 778 975

**PAGE 10 SHOW  
YOU WHERE  
AUCKLAND  
HAPPENS**



... but are some more

# Dairy Board attempts to melt butter mountain

by John Draper

A New Zealand butter mountain rivalling the European Economic Community's own surplus is piling up in Britain.

And the surplus stacked in cool stores around Britain is enough to keep housewives supplied for a year at present sales levels.

This year has been a disaster

for New Zealand's Anchor brand. In the first six months sales dropped dramatically to less than 40,000 tonnes, only two thirds of the quota granted by the community.

Anchor has virtually been priced off the market. Butter is extremely price sensitive, the British housewife buying the cheapest whether it be New Zealand, English, Danish or Irish.

And Anchor has been selling for around a penny a pound more than other brands.

Butter sales were \$260 million of which \$195 million went to Britain.

Protocol 18 is supposed to

guarantee New Zealand's

butter sales to Britain though

the community has always taken the line that the quotas can be reviewed, as they have been, downward.

The Dairy Board is adamant that Britain must take New Zealand's butter. There is no other outlet for the quantity produced nor is there any alternative milk production.

Cheese will be the growth area in future but butter will always be a staple commodity.

The Planning Council notes that the world market is simply not large enough to absorb a further significant displacement of New Zealand butter exports from the community.

Skim milk powder and casein are also dependent on butter exports being manufactured by products. Sales totalled \$158 million in the year to May 31 1978.

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Protocol 18 is supposed to guarantee New Zealand's butter sales to Britain though

by not always fulfilling its

reduction in the levy on Anchor without changing the price to the housewife. But it will still give the Dairy Board flexibility to sell its product according to market conditions.

And if New Zealand is forced to accept heavily reduced quotas it still leaves the immediate problem of how to melt the butter mountain as well as cutting production at home.

Effectively that will mean a

reduction in the levy on Anchor without changing the price to the housewife. But it will still give the Dairy Board flexibility to sell its product according to market conditions.

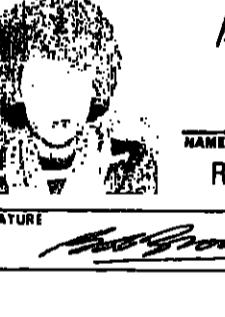
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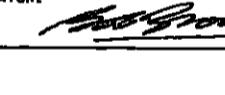
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**SURPLUS BUTTER... enough for a year's toast.**



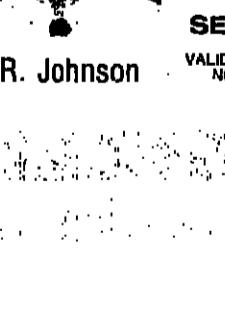
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SAVINGS BANK  
NAME: MARY THOMAS  
ACCOUNT NUMBER: 12345  
SINCE: APR 1978

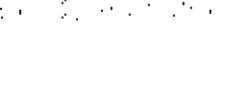


R. BROWN  
NAME: R. BROWN  
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CENTRAL MALL  
DISCOUNT CARD  
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TUROA  
SEASON PASS  
VALID UNTIL OCT 31ST 1979  
NOT TRANSFERABLE  
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## EDITORIAL

SOME two years ago, Accident Compensation Commission chairman Ken Sandford declared he was not concerned about the state of the commission's finances. The ACC could dip into its reserves (accumulated from excesses of income); or — if the trend to more payouts and higher administration costs continued over a long period — it could ask the Government to increase the levies.

Those expressions of confidence were prompted by a National Business Review report in March 1977 that the commission was "headed for financial self-destruction unless the rules are changed or the Consolidated Fund comes to the rescue". The total number of claims was rising; the cost of settling each claim was being pushed up by inflation; and "...the longer the ACC was in existence, the longer would grow the list of claims with a long tail — those involving permanent disability, for example."

Sandford described our report as "pure nonsense". Our "allegations" were "laughable — I am astonished that such a thought could even be floated by anyone."

Last week, for the second successive year, the commission advised that insufficient funds had been collected from employers to meet the estimated on-going costs of compensation for employees. Making an allowance for the future effects of inflation, based on advice from the Government Actuary, the commission estimated there would be a shortfall in the balance of the earners' fund of about \$16 million this year. That is on top of the estimated 1978 shortfall of \$40 million.

You don't have to be a financial wizard to figure that expenditure in excess of income spells trouble — unless something turns up.

The news would not be welcomed by employers, whose levies provided \$85.5 million of the ACC's total income of \$142 million.

The latest shortfall signals a need for further change. The levies may be increased yet again, or the scheme may be restricted in the coverage provided for sporting accidents, for example.

But increased levies are sure to be given a hostile reception. It was only in May that Sandford was obliged to leap to the defence of the scheme in the face of widespread criticism of a 7 per cent levy increase. New Zealand employers were still getting accident compensation on the cheap, he said then.

His explanation for the increase? Well, reserves had dropped below the level needed to pay for the future costs of today's accidents and the cost of non-work accidents had been higher than estimated, he emphasised.

The accident compensation scheme completed its first five years of operation at the end of March. The Government considered it timely then to review ACC operations, and a Government committee was set up to undertake a wide look at the scheme.

Included in its study is the issue of non-work accidents — the subject of much heated criticism from employers, who resent paying ever-increasing levies for accidents which occur outside the workplace.

Another complaint of businessmen is that there has been no recognition of good safety records, and that efforts to cut accident rates have not been rewarded with refunds.

Perhaps the ACC should be operated on a pay-as-you-go basis, equating annual income with annual outgoings. All claims in one year thus would be met by the charges and levies that year. While this could cause severe fluctuations — in some years, substantial payments would mean substantial levies — the ACC would not be trapped into finding itself underfunded for future liabilities.

The accident compensation scheme was hailed as one of the most enlightened acts of social legislation in the world when it was introduced. But administrative flaws have become all too apparent and some major reforms are inevitable.

Bob Edlin.

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THE exodus of "plane people" is keeping travel agents busy. And it seems that the queue to opt out begins in at least one travel agent's office.

A colleague (who, incidentally, has been learning how to be more assertive at a Victoria University extension class) went to an agent to pay and collect her tickets for a trip to Europe.

The receptionist offered her a seat for "a few minutes", then disappeared.

The minutes turned into 10 and only two plumes of cigarette smoke curling lazily upward from behind a screen indicated that the office had not been abandoned.

On investigating, our would-be traveller found the receptionist and travel agent taking morning tea.

Could it be that someone has found the answer to slowing down the emigration drain?

POSTAL charges duly increased last week as the Minister of Finance said they would be on budget right six weeks earlier.

But the news took its time to reach clerks at Wellington's Courtenay Place post office and we suspect at other offices around the country.

But proposed changes (NBR July 18) will prevent finance houses from claiming against the fund when dealers, who go broke, renege on their debentures.

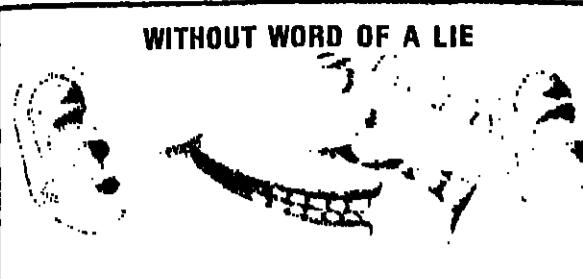
Instead, the financiers will have to queue up after wage and salary earners to claim against the remaining assets of a liquidated dealer.

The Motor Vehicle Dealers Institute wants to change the rules controlling the \$250,000 fidelity fund because of the high level of payouts requiring extra levies on members.

But the Finance Houses Association claims its members are not to blame.

Secretary Keith Wood says he has been advised by the institute that association members have received only \$7408 of the \$111,886 paid out.

"Claims pending totalled \$285,222 of which finance



houses accounted for 21.1 per cent. If one adds claims paid with claims pending then finance houses would account for only 17 per cent of payments made or pending on the fund," he said.

Consumers' claims totalled 30 per cent. The remaining 30 per cent resulted from dealers defaulting on debts to other dealers and car assemblers.

Wood says the association accepts that members should be in no different position than had they entered into an agreement with a normal retailer where the protection of a fidelity fund does not apply.

However, when it comes down to individual transactions involving hire purchase and the title of a vehicle we consider that a finance company has as much right to be protected from a fraudulent dealer as a consumer.

"Perhaps part of the answer lies in stricter licensing provisions to make it more difficult to obtain a licence and/or active supervision on the operations of dealers by the institute."

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Minister Hugh Temple, Energy Undersecretary, Dr. Brill. "You would be better proponents of your enterprise," the delegate added.

"Quigley".

AT \$200 an hour, based Harry D. Schulz certainly claims to be world's highest-paid travel consultant.

While this is the case, earlier this year, his then Prime Minister Bob Heape seeking information in Harry Schulz's Newsletter also gave an interview.

The other day we received a letter from Schulz's based press aide, Sam Cooper, requesting a NBR interview.

It begins with a map of Japan adjacent to the New Zealand item, a mistake which Cooper assures us resulted because "our picture poster was suffering from temporary amnesia".

Schulz says the highlight of his visit was a one-hour audience with Prime Minister Muldoon.

"He gets a withering press who claim his manner is cavalier and brusque," Schulz writes.

"He was formerly Finance Minister, and his grasp of money matter is impressive.

"I presented a series of suggestions to the PM. He agreed with me on about 40 per cent, disagreed on 60 per cent and gave me pretty good reasons for differing."

Chairman Bill Mace said

7.2 per cent and international load factors 6.9 per cent, according to Mace.

Such load factors would be rated "good" at the very least by other airlines.

As Mace put it: "Inevitably these forces have depressed the yield on international flights and the return per passenger is on a diminishing scale."

The title "The Chevalier" perhaps sheds some light. Turning to the dictionary again, the Concise Oxford lists Chevalier as a "member of certain orders of knighthood and of the French Legion of Honour; . . . soldier, cadet of old French nobility; . . . adventurer, swindler".

The French Embassy said Chevalier was the country's most junior honorary title. It is awarded to public servants only after 20 years service or to businessmen in recognition of their services to the country for 25 years.

Reading Schulz's newsletter is as entertaining as trying to trace the significance of his various titles.

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## Captive locals subsidise jet-set

by WARREN Berryman

WHEN Air New Zealand and NAC were merged, the public was told the move would mean savings of \$10 million. Any suggestion that the local captive consumer would have to subsidise Air New Zealand's international operations with high domestic fares was hotly denied by Air New Zealand spokesmen.

But domestic fares have gone up to increase the yield.

Domestic fares went up a further 10 per cent as an "interim measure" announced two weeks ago. Further domestic fare rises are predicted.

But the domestic travel buyer can't protest by going next door to a competing airline.

Air New Zealand's domestic and international routes should be profitable, if judged on the same basis as other airlines.

Domestic load factors were 7.2 per cent and international load factors 6.9 per cent, according to Mace.

Such load factors would be rated "good" at the very least by other airlines.

So it seems that Air New Zealand flourishes where it enjoys a monopoly and withers where it faces real competition. Why?

The international aviation magazine Flight, does a yearly survey of world airlines,



TOURISM

According to Mace, total passenger traffic increased by 15.2 per cent on all services.

Bolled down, that is an increase of 3.0 per cent for domestic traffic and 13.7 per cent for international traffic.

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Domestic fares went up a further 10 per cent as an "interim measure" announced two weeks ago. Further domestic fare rises are predicted.

But the domestic travel buyer can't protest by going next door to a competing airline.

Air New Zealand's domestic and international routes should be profitable, if judged on the same basis as other airlines.

And next year? Well, next year Air New Zealand has the \$8.8 million loss from the DC10 grounding to make up.

Chances are \$8.8 million won't come out of the international traveller's pocket.

The international traveller has a choice of airlines. The domestic traveller does not.

comparing their efficiency on various parameters.

Air New Zealand is not bottom of the list in the efficiency stakes. But according to Flight's figures, Air New Zealand's 874 employees (one in 150 of the work force) might have something to do with its costs versus overseas operators.

But Air New Zealand apparently is justified in gouging the domestic traveller (and at the same time pushing up the cost of doing business here) because, according to Mace, it earned or saved \$123 million in foreign exchange in its international operations.

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## Young incurs wrath

by Rae Mazengarb

LANDS Minister Venn Young has incurred the wrath of three national environmental groups — and may receive a rap over the knuckles from a Supreme Court judge.

Young has attempted to adjudicate on whether land in Nelson's Maitai Valley is a "reserve".

By a notice in the New Zealand Gazette dated June 15, this year, the Minister declared that the land was not a "reserve".

Under section 5 of the Reserves Act, the Minister has the power to make such a declaration when there is doubt about the classification of land.

But legal proceedings had begun in May this year seeking a ruling on that very question.

It's understood the lawyer representing the various environmental groups wrote to the Minister on behalf of his clients in mid-July, asking him to revoke the declaration rather than interfere with legal proceedings.

The Minister last week declined to do so.

for other purposes as permitted by the Municipal Corporations Act 1954.

The purchase was financed from the council's \$10,000 water account, the subdivision reserve account (\$35,000), and the capital improvement account (\$40,000).

The Nelson City Council — defendants in the court action — bought the land in 1971 in the belief that it "would provide the citizens of Nelson, now and in the future, with an unrivalled pleasure ground and recreation ground".

The council, in its resolution to acquire the land, listed specific intended uses for the area, but reserved the right to use it for other unspecified purposes:

- Some 40 hectares of land for recreation;

- a three kilometre stretch along the Maitai River for swimming, picnicking and fishing;

- the bushy hill areas for tramping, lookouts and as a backdrop to the city;

- extension of the existing camping area;

- to facilitate servicing and access to the Maitai water supply pipeline.

The council admits it bought the land for those purposes, but says it bought the land also

for three years the venture was on again-off again.

In June 1977, the council started burning off the land, showing the extent of the forestry proposals for the first time.

But the council then found it had no power under the Municipal Corporations Act to involve itself in such commercial proposals.

In 1978, Parliament passed a local bill, the Nelson City Forestry Empowering Act, which gave the council the power to acquire land and engage in forestry and related industry.

That Act was subject to the provisions of several other Acts, including the Town and Country Planning Act 1977 and the Reserves Act 1977.

The council was acting not directly contrary to any planning of the area, but contrary to the provisions of the Reserves Act if the land was a "reserve".

The litigation initiated this year, concerns just this question.

If it is declared a "reserve", the land will have to be reclassified.

This process allows for objections. A management plan will be required also, and again the public will have the right to object.

The council insists the land is not a reserve — with the exception of certain flat areas, including an area of golf course.

Friends of the Maitai, the Royal Forest and Bird Society Inc, Native Forest Action Council and Environment Defence Society Inc initiated the proceedings. They served the documents on the council in May.

The council filed its statement of defence in June.

A month later Venn Young declared the land was not a "reserve".

Just who advised him is a matter for speculation.

The lawyer representing the environmental groups is understood to have given the Minister all the information relevant to the case in his request for a revocation of the declaration.

Last week the Minister replied that he had known nothing of the court proceedings. But the Nelson City Council had requested a declaratory statement by the Minister that the land was not a "reserve" and that it be gazetted, he said.

He did not now intend to revoke that declaration because he had no general power to do that, he said.

## Mediator drags workers' house rent dispute toward a settlement

by Cathy Strong

IT HAS been four years coming — but it appears that a settlement is near for the electricity workers dispute over house rents.

And both sides — the Public Services Association and the State Services Commission — say that the Government's industrial mediator Walter Grills had a lot to do with it.

When he came on to the scene last month no one expected the parties to reach total agreement on anything.

But the PSA and SSC came to terms on a scheme, and this week they are asking for final approval from the Government's Cabinet Committee for State Services and from the rank-and-file electricity workers.

The dispute really isn't about house rents per se. It is over the electricity workers' desire to find some way to develop capital equity during their careers, as most middle-class New Zealanders are able to do when buying a family house.

The next year a National Government took power and the new Minister, Peter Gordon, put up the rents despite "promises from a previous government".

Strikes followed.

The dispute went to a special commission of inquiry which made the Government return \$60,000 of the rent increases. It also sent the parties back to negotiate the equity scheme.

(Commission chairman Nigel Taylor openly criticised the Government's broken promise. A year later he was reappointed as chairman of the State Services Tribunal which resulted in a flurry of accusations that the Government didn't like some of his decisions.)

Despite the inquiry, the circular fight continued. Every time the Government wanted to increase rents, the union wanted the rents



THE INDUSTRIAL FRONT

formula and equity scheme settled first.

This year the strike threat was met by the Prime Minister's deregistration threat. The PSA agreed to go to mediation, but Muldoon wanted the mediator's decision binding.

The PSA said it would go to mediation, not arbitration, and that it would decide later if it wanted to give the mediator the all-inclusive powers of an arbitrator.

The mediation started out the same old way — the PSA demanding the latest rent increases stopped and the SSC demanding the rents unaltered.

Grills gave a one-month suspension to the rent increases. At the end of the month he would assess the progress of the talks to see if the increases should be paid or further month or so.

Almost like a teacher bribing a slow reader with lollies.

Whatever Grills' strategy, that month is up on August 16, and it appears that at long last the workers will be getting some sort of house buying scheme to help them with capital security in retirement.

The details haven't leaked out yet, but it is a complex scheme that will allow a worker to nominally buy the house he lives in. At the end of that term he can resell it to the Electricity Department at the current rate (whether that is above or below the original rate).

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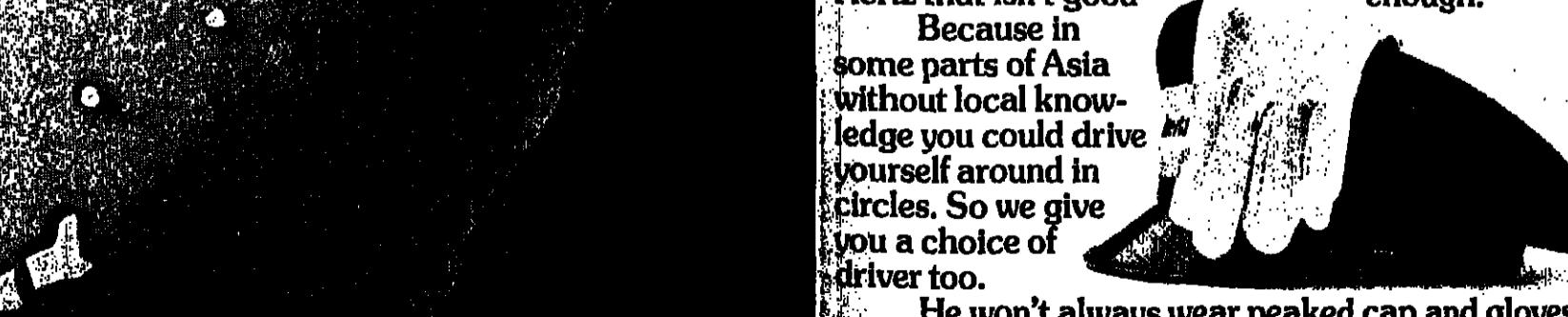
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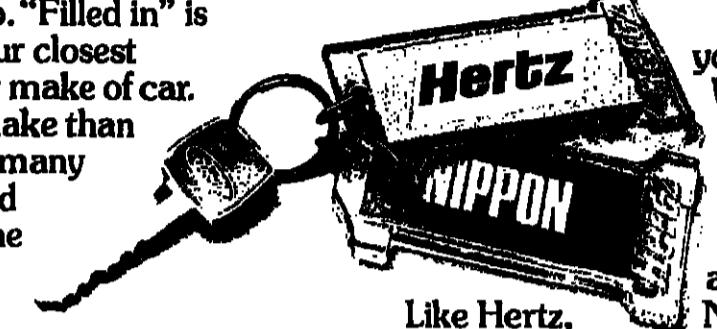
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## Templeton swaps realism for Muldoon wizardry

Economics  
Correspondent

DR Muldoon has run out of miracle cures. Even his resort to multi-media broadcasts cannot restore the patient's confidence in his treatment.

But before his patients have time to consider a new regime, Muldoon's trusty deputy Hugh Templeton is quietly taking over the practice.

No longer is the patient expected to swallow cheerful diagnoses that there is health and prosperity just around the corner or a light at the end of the tunnel. Templeton's method of bringing the patient back to health is to face him with the ghastly realities of his illness.

In his recent speech to the Wellington Chamber of Commerce, Templeton forecast a grim future for the country. New Zealand may have to face the deepest recession it has seen for 35 years.

The Deputy Finance Minister explained that a wave of inflation is eating into the recovery prospects of Western nations. These nations have run out of the possibilities for increased productivity through technical change which helped them to maintain expansion in the past in spite of rising costs.

Because of this, the world is poised to enter the longest and possibly deepest recession since World War II. If the recession comes, the impact of the world economy would have an immediate result in New Zealand and would lower growth rates straight away.

Templeton said that "in such situations commodity producers such as New Zealand have to accept lower returns while their imports continue to rise... oil costs go up and transportation costs also rise".

As a result, Templeton suggests that our balance of payments deficit could deteriorate by a minimum of \$200 million in the next year and will probably be much more.

Muldoon has not yet gone as far as reimposing wage controls by legislation, but he has gone within a hair's breath of doing so. And he has made it clear that he will resort to regulation if wage increases in the "free bargaining" wage round go beyond 10 per cent.

Templeton deserves a pat on the back for his willingness to be candid with the public, but his realistic attitude could have a depressing effect on the economy.

To a certain extent, economic behaviour is guided by expectations. When there is a feeling of optimism in the air, firms have traditionally risked new investment.

Because of pessimistic economic forecasts, it has been some time since there has been much inclination for new investment.

Despite a short period of economic buoyancy earlier this year, business confidence

is still low. And according to the New Zealand Institute of Economic Research, businessmen are clearly pessimistic about the future.

Almost half of the respondents to the June quarter Survey of Business Opinion expect general business conditions to deteriorate during the next six months.

The economic climate created by the Budget was supposed to make everything all right. Now, according to Templeton, "essentially what New Zealand needs is an acceleration in investment and productivity in the export sector..."

He thinks this will offset any of the other difficulties the economy is likely to experience.

Budget measures will help exporters through export incentives and a freer exchange rate system which should minimize the higher costs of imported raw materials. Manufacturers have certainly shown general satisfaction with the policies aimed at exporting and this may result in some new investment.

But if the domestic situation deteriorates, exporting may not seem like such a good idea. Exporters will find it difficult to compete overseas if there is a massive jump in internal costs.

It is difficult to disassociate the present Prime Minister from this blame since he was Minister of Finance during the latter period of Holyoake's Government.

Of course, as Templeton cries, "the Government has made clear again and again the need for restraint in this wage round".

Templeton correctly argues that if we do not control wage-push inflation we will kill the investment we need to create more jobs and more wealth.

Restraint in the wage round means finding ways of keeping the growth in wages down.

The Government seems to think this can be brought about by direct controls.

Muldoon has not yet gone as far as reimposing wage controls by legislation, but he has gone within a hair's breath of doing so. And he has made it clear that he will resort to regulation if wage increases in the "free bargaining" wage round go beyond 10 per cent.

Even with Government direct action to control wages, they are likely to increase by at least 15 per cent next year. This sort of action may have the appearance of doing something about wage costs, but the results of this action should speak for themselves.

An addition of 15 per cent on costs is not going to make life easy for exporters or for any business firm for that matter.

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# NBR BUSINESS WEEK

## PM recycles second-hand investment criteria

by Peter V O'Brien

THE Government's "new" criteria for assessing overseas investment applications are 16 years old.

When Finance Minister Rob Muldoon announced the changed policy on overseas investment the other day he or his advisers made no reference to the report Criteria for Industrial Development which the Tariff and Development Board sent to the then Industries and Commerce Minister, Jack Marshall, in June 1963.

That report referred particularly to local industrial investment. But the board included a section on overseas investment.

In a letter to the board (included in the report),

Marshall said: "the Government... agrees that, in determining the nature and character of industries that should be encouraged in New Zealand, regard should be paid to all the criteria enumerated in the report... The broad objective of the Government is to stimulate industrial development in such a way that the greatest productivity and the most economic use of our resources of labour, capital, and material are achieved. In applying the criteria to the establishment and protection of units of industry these goals must be kept in mind".

Muldoon listed the new criteria last week. One was "new exports markets or better market access".

The board recommended

In 1963 the board recommended "the contribution the industry makes to developing export markets or otherwise earning overseas exchange".

Muldoon added "the extent to which the proposal was likely to make a net positive contribution to the balance of payments".

The board covered that with "the extent to which the industry can, by import substitution, save the expenditure of overseas funds, both immediately and in the long term".

Muldoon is concerned about "the creation of new job opportunities", and "introduction of new technology, managerial or technical skills".

The board recommended

"the extent to which the industry provides employment opportunities and the best use of labour and management resources, and offers scope for the development of industrial skills".

In 1979 we are looking for "added competition for local industry, lower prices and greater efficiency".

In 1963 the Tariff and Development Board desired "the extent to which the industry is competitive as to price, quality, design, and range with imports, and is capable of meeting quantitatively the needs of the market".

Muldoon's criteria include the catchall "the promotion of New Zealand's economic growth".

The board had several recommendations to cover that point:

• The extent to which the industry aids the further development of natural resources;

• The extent to which the industry will form a basis for the development of associated industries;

• The extent to which an industry is of the optimum size, having regard to the size of both the domestic and export markets;

• The extent to which the industry makes the greatest economic utilisation of capital equipment;

• The extent to which the industry makes a contribution to the national security in that it has strategic importance or is able to provide goods essential for the people and the maintenance of the economy in the event of serious adverse external circumstances arising.

The board also made recommendations on direct overseas investment:

• The extent to which the industry requires the participation of overseas capital either as equity capital or by way of loans (the board said an inflow of overseas capital was desirable where it is accompanied by technical knowledge, use of patents, and introduction of new skills, or where New Zealand capital is not readily available). It also wanted consideration given to the participation of New Zealanders in equity capital).

• The extent to which the industry has access to overseas research, design, techniques, and industrial skills, and their usefulness in making a contribution to New Zealand industrial development.

Muldoon and the board agreed on another particular criterion. The former wants to see the potential impact on the environment (not so important in 1963) and on regional development.

The board recommended as a criterion "the extent to which the industry makes a contribution to regional development".

Those policies are a remarkably similar set of guidelines laid down by the Labour Government when it set up the non-productive system of government control of the economy.

It may be of some interest to note that after span of 10 years Jack Marshall and Rob Muldoon adopted the same policies.

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# Governor spells out exchange rate procedure

by Peter V O'Brien

THE new procedure for setting the value of the New Zealand dollar in relation to other currencies is a substantial shift in economic policy, and should benefit export industries.

Reserve Bank governor Ray White detailed the system at a meeting of the Institute of Directors' Auckland branch on July 25. The policy was outlined in the Budget, but it took five weeks before a definitive statement was available. The statement came from the central bank, rather than Finance Minister Muldoon, which may be a sign of something.

White told the directors that New Zealand has previously lost the benefits of devaluation because local production costs rose faster than overseas prices. By relating the exchange rate to movements in New Zealand production costs, relative to those in our major trading partners, "the intention is that this should not happen again".

White said the Reserve Bank and Treasury would, at quarterly intervals, make an assessment of likely changes in production costs for the year ahead. The Consumer Price Index will not be used for this purpose.

The most recent trends in production costs, forecasts of other aspects of the economy, and "known future events" will be used as guides. Assessment of trends in production costs may be based on the General Price Index issued by the Department of Statistics since the end of 1977, although White did not spell out the technicalities. That index (examined regularly in NBR) compares the movements in input and output costs over a range of industry groups, from a 1977 base of 1000.

Apart from its usefulness in providing a comparison as between industries, the Index allows a calculation of likely future prices for some services, particularly those in the public sector. The communications sector is an example. The input costs of that group rose steadily throughout 1978, while the

output figures were static. There comes a point where the inputs move ahead of, or erode, the prices received for the "output".

The Post Office is the major force in the communications group, and therefore the next lift in postal and telecommunications charges could be anticipated by reference to the index.

Officials will also assess the likely rates of inflation in the countries with which we conduct most of our trade.

"These rates will be

weighted to arrive at a composite figure for the rate of inflation likely to be experienced by our trading partners". White said. The difference between this figure and the rate of increase in domestic costs will be the forecast rate of change in relative prices during the next year.

White quoted an American commentator who said that trying to forecast economic conditions a year out is "like trying to put six (sic) on an octopus". The bank therefore accepts that its forecasts will be exactly right "only by accident".

The new system has the advantage of relating our dollar to an international trading pattern based on production costs and inflation rates overseas, rather than a general average of other currencies in a trade weighted "basket". International fluctuations have made the New Zealand dollar overvalued against particular currencies in the past, which in turn affected the competitiveness of exports if industry's production costs went up.

Two of White's general comments have wider implications for the internal economy. "I believe that the incomes of sheep and beef farmers in the year ahead will be above the level usually regarded as being sufficient to generate more than a maintenance level of investment per stock unit". Coupled with other policies toward farming, that statement is a reflection of what Challenge Corporation chairman, Ron Trotter, recently referred to as a "bottom being put in the

bucket". It also has implications for the Government's tax take, when farmers make their contribution to the nation's moneybag in 1980 and 1981.

White then said "from talks I have had with the chief executives of many companies involved in exporting, I also believe that exporting is, generally speaking, the most profitable area of manufacturing at the present time. It seems to me that the initial objective of adequate profitability has been

achieved." The new exchange system should ensure that profitability is maintained, rather than eroded by rapid rises in internal production costs, which were the usual result of earlier substantial devaluations.

If the scheme works as planned, overseas export receipts should improve, in both volume and dollar value.

Overseas inflation rates may be the key area for the immediate future. The United States is supposed to be moving into another recession,

with a rising rate of inflation, and inflation rates appear to be moving up throughout the OECD countries.

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The system thus operates on different lines with one reinforcing the other. It gives exporters a good base than the previous system of setting exchange rates seems to be its major

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## Bing Harris capital changes hands in substantial parcel loads

HEAVY trading in Bing Harris shares was a feature of the sharemarket in June and July. The company's shares were changing hands in substantial parcels, including sales in the 20,000 to 30,000 range, and between 30,000 and 40,000.

While it is clear that someone was moving out of the stock, it is equally clear that someone else was moving in. So what is the attraction of a clothing and textile group, which recently entered a joint venture with a Korean company in squid fishing?

It is certainly not current profitability. Bing Harris earned \$246,000 in the year to December 19, 1978, on sales of \$34.2 million, compared with \$870,000 on sales of \$33.5 million in the previous year. The present dividend yield is 7.4 per cent from the 12.5 per cent (6.25 cents) paid in respect of 1977-78. Profit failed to cover the payment by a small margin, but the effective yield is higher than 7.4 per cent, because Bing Harris has paid dividends from capital reserves, which are tax free in shareholders' hands.

Net asset backing was \$2.48 at the last balance date, compared with a market price of 84 cents last week. Buying shares in a company with such a margin between price and asset backing is an advantage. The financial strength disclosed by the asset backing

is an indication of ability to recover from difficult trading conditions, or to change direction by diversifying into more profitable sectors of the economy. The second advantage relates to participation in any benefits which can occur if an outsider sees a way of making a good capital gain by trying to acquire a company.

At December 19, 1978

shareholders (companies and institutions) held 42 per cent of Bing Harris' shares, while 1525 individuals had 58.4 per cent of the company. Unless there has been massive disinvestment by individuals, the recent heavy turnover must be coming from the group with the 42 per cent stake. That could be interesting if the sales are going to a limited number of buyers.

Bing Harris is probably more liquid today than at balance date. In the annual report the chairman, Sir Jack Harris, said negotiations were nearing completion for the sale of two properties surplus to the company's needs. "One being surplus land next to the Onehunga Mill and the other the Cuba Street site which had been destined for the Wellington BHS warehouse prior to the decision to reduce its activities and work as much as possible from Auckland. The sale of these properties should bring in a substantial amount of cash to the group."

Sir Jack said it had also been decided to concentrate the Auckland activities of BHS at Carbine Road, Parnam and "the commodious Anzac Avenue building and adjacent section is now available for sale".

The company's joint venture fishing operation with the Korean trading house, Samiwa Co. Ltd, encountered problems last season, and did not perform at the anticipated level.

Managing Director Chris Harris told the annual meeting in May that the catch rate since the company began fishing on March 8 had been well below expectations. This was apparently a common problem for all the joint venture companies in squid fishing.

Harris said the company was "weighing very carefully

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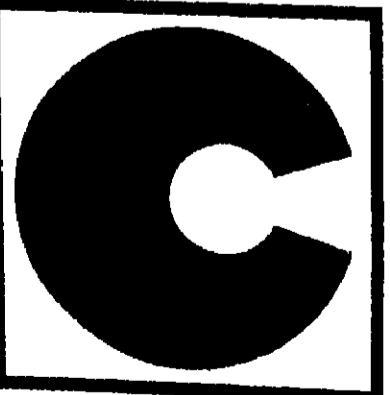
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# If you need this important information...

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RP1

## Glow slips from TV

If present trends continue, television's place in the advertising sun could well be threatened according to the president of the Association of New Zealand Advertisers, Colin Mortenson. He lists rising advertising costs, lack of forward planning and, currently, a rough deal to regional advertisers as factors which threaten the popularity and, indeed, the economics of television as an advertising medium.

"We need a lot more information and we need it now," said Mortenson.

"Advertisers are marketers and even now is a little late to be finalising marketing plans for 1980. We need the specifics of the new deal. Advertising days, if they are to be changed, Hours of advertising Programme information. In particular, how are rates to be structured in terms of time zones or package deals or whatever."

"The real cost of reaching the same audience through two channels instead of one has more than doubled. "This escalation has taken place during a period when the domestic economy has been

"We have no lead time left for next year's marketing plans. Some advertisers may have to think in terms of other media."

Mortenson sees the concentration of regional and retail advertising on TV2 as unfair treatment.

Outside of Auckland, these advertisers are reaching only a minority audience. When audience shares equate, the objection will be removed but the arbitrary action has disadvantaged the regional advertisers in the meantime at least.

ANZA is looking forward to working with other advertising organisations and with media to establish a uniform and practical code of ethics operated through a central representative body.

"New Zealand has set high standards of advertising behaviour and we want to see it kept that way through self discipline. At present we have too many independent standards and too many differing decision makers. We have to ensure an efficient system of self regulation or suffer the unpleasant alternative of regulation imposed from outside," said ANZA's president.

Mortenson described as unrealistic the statements of politicians that further advertising could bridge the gap in BCNZ's television's budget. "Simply put," he said, "there are no more dollars for advertising. Television has to be careful that it does not price itself out of the market."

"To parallel rising advertising costs we would need increases in sales volumes which are just not possible under these market conditions. In real terms, budgets for advertising have been stationary over the last five years."

Mortenson described as unrealistic the statements of politicians that further advertising could bridge the gap in BCNZ's television's budget.

"Simply put," he said,

"there are no more dollars for advertising. Television has to be careful that it does not price itself out of the market."

"Advertising is funding about 75 per cent of the running costs — as apart from the developmental costs — of television. We don't think that is a particularly healthy position, especially when you consider the large number of relatively few large television advertisers to contribute a

very high proportion of the total television advertising expenditure.

The restructuring of television is cause for concern with advertisers.

ANZA has expressed its fear to the BCNZ that when time is centrally sold, all sorts of controlled selling conditions or qualifications may emerge or be imposed. So far it has not received the reassurances it desires.

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ANZA has expressed its fear to the BCNZ that when time is centrally sold, all sorts of controlled selling conditions or qualifications may emerge or be imposed. So far it has not received the reassurances it desires.

"We need a lot more information and we need it now," said Mortenson.

"Advertisers are marketers and even now is a little late to be finalising marketing plans for 1980. We need the specifics of the new deal. Advertising days, if they are to be changed, Hours of advertising Programme information. In particular, how are rates to be structured in terms of time zones or package deals or whatever."

"The real cost of reaching the same audience through two channels instead of one has more than doubled.

"This escalation has taken place during a period when the domestic economy has been

"We have no lead time left for next year's marketing plans. Some advertisers may have to think in terms of other media."

Mortenson sees the concentration of regional and retail advertising on TV2 as unfair treatment.

Outside of Auckland, these advertisers are reaching only a minority audience. When audience shares equate, the objection will be removed but the arbitrary action has disadvantaged the regional advertisers in the meantime at least.

ANZA is looking forward to working with other advertising organisations and with media to establish a uniform and practical code of ethics operated through a central representative body.

"New Zealand has set high standards of advertising behaviour and we want to see it kept that way through self discipline. At present we have too many independent standards and too many differing decision makers. We have to ensure an efficient system of self regulation or suffer the unpleasant alternative of regulation imposed from outside," said ANZA's president.

Mortenson described as unrealistic the statements of politicians that further advertising could bridge the gap in BCNZ's television's budget.

"Simply put," he said,

"there are no more dollars for advertising. Television has to be careful that it does not price itself out of the market."

"Advertising is funding about 75 per cent of the running costs — as apart from the developmental costs — of television. We don't think that is a particularly healthy position, especially when you consider the large number of relatively few large television advertisers to contribute a



ADMARK

The pick of the New Zealand Press Association's sports journalists.

Most interesting of all is the

print run.

The O'Brien model Sports Digest — it started life as All-Sports Monthly in 1949, and until the INL takeover was an AD Organ publication — was selling as few as 7000 in some summer months, and making five figures without a lot to lose in the winter season, when sports interest hits its peak.

But INL ran off 35,000 of the first issue of the fortnightly.

A scheme for a large-scale promotional giveaway was not proceeded with and they had to try to sell them all. Early returns indicate that 25,000 were sold.

Advertising for the first new style issue topped 20 per cent and so rather exceeded target.

The other side of that story, though, is that at the time number one appeared in the

new Sports Digest.

TM BROWNS OFF, Soccer

sick

on top

stationers, there was very

little secured advise for number two. But advertisers returned for number three.

Sports Digest has some

colour on eight of its 16 pages.

Deadline, which used to be the

middle of the month before

publication, is now four days

before it appears. Of the

previous contents, only

O'Brien's "Sportsview"

column and the useful

"Sporting Calendar" survive.

The first front-page lead had

one of those headlines that

rebound all the further

because they are catchy. The

day before the second rugby

test, over Keith Quinn's

byline: "France no chance".

Sorry — it isn't free.

However, without apology we feel this

specialist letter is easily worth the

subscription rate of \$20.00 per year.

Our introductory 6 issues for \$10 will prove

how good the material is. You will soon

order an annual subscription.

We've heard so many people ask for a who's

who, what's a what, why, when's it happening

communicator. Well — now we've put it

together. And — it's not a magazine requiring

advertising support to survive. We

can give you the goods on the news. In

fact with your support this will be the

FORUM OF THE FUTURE FOR SELLING

ADVERTISING & MARKETING IN NEW

ZEALAND.

They have created a new brand of marketing executive, they have invested more in research, he says.

They are launching products after very thorough market research and building in their own advertising intelligence to demand more hard facts from their advertising agencies.

These are the companies who know what they are getting from their marketing data, says Kotler.

From what he calls his "POISE" system Kotler has developed a kit for evaluating marketing performance. And, says Kotler, many companies find they do not measure up to what they apply his yardsicks.

"They have been disposing of what they make rather than making what they can sell."

In his text book *Marketing Management: Analysis Planning and Control* Kotler contrasts the product concept and the market concept.

"The product concept is a management orientation that assumes consumers will respond favourably to good products that are reasonably priced and that little company marketing effort is required to achieve satisfactory sales and profits."

The relatively new marketing concept he says "is a management orientation that holds that the key task of the organisation is to determine the needs, wants, and values of a target market and to adapt the organisation to delivering the desired satisfaction more effectively and efficiently than its competitors."

The few companies that understand marketing have reorganised themselves to reflect marketing importance.

He contends that market

centring is a very important

ingredient in his "make what

you can sell" theory.

"Even within the United

States market dynamics vary

considerably from city to

city."

"For the New Zealand ex-

porter it is vital to hire a top

flight market consultant

## Broker spells out Motopak

We wish to make comment on the article that appeared in the July 4 issue of your newspaper under the Insurance Section as written by Mr John Sloan.

We are deeply concerned with some of the interpretations your writer has put on our product and strongly suggest corrections should be made.

Whilst the details as follows:

(1) You are correct. In stating Motopak is aimed at a defined section of the motoring public and to qualify the driver must be over the age of 30 years, use a vehicle for private use (your writer appears to be ill informed in this regard as Motopak Executive is the business vehicle policy and has been on the New Zealand market since May of this year) which is less than 8 years old at entry. With regard to age we mean all cars that are registered as new vehicles in New Zealand since the 1st January, 1971. Providing that they are no older than this at entry they may stay in the Motopak Scheme whilst they are owned by the same owner.

(2) We are aware of the comments that the then general manager of the State Insurance office, Mr Neville Ainsworth, stated, however we

disagree with some of his statistical information.

Most claims by far occur with vehicles driven by under-30 year old drivers. We certainly agree of course that claims do occur with drivers over the age of 30 and in this area will remind you that they must be claims and accident free for three years at entry otherwise they do not qualify for Motopak.

This gives us a limited market and this is why Motopak Auto Insurance was specifically designed to cater for the market. It is not intended in any way and under no circumstances to cover the entire motor vehicle insurance market available in New Zealand but it is intended to provide a more competitive premium structure with policy conditions than would normally be available to such a selected market.

(3) We take note of your comments that the cover of Motopak is limited by a number of restrictive conditions and for your writer to state, and we quote, "for instance it is warranted by the insured that the insured vehicle and all drivers thereof have not been involved in any motor vehicle accident" unquote. It is indeed pity that Mr Sloan did not finish off the warranty which is warranty (b) in the policy and in full it states "the insured driver and all drivers thereof

have not been involved in any motor accident during the IMMEDIATE THREE YEARS prior to commencement of this insurance at date of proposal hereunder".

I believe that your correspondent has misled his readers in this regard. It certainly cannot be interpreted to mean no accidents at all.

The next warranty that Mr Sloan has questioned is warranty (e) which states in full "the vehicle is at commencement of the policy free of dents, damage or broken glass". We completely disagree with your writer's statement that, and we quote "one interpretation of this provision is that the clause applied to a second-hand vehicle bought by a person who is unaware that the vehicle had been involved in a previous accident or buying a vehicle which already had dents and dings from previous minor scrapes".

If the purchaser of a used vehicle saw that it had a broken windscreen or dented mudguards etc he would probably not accept the vehicle until such time as the repairs made by the vendor are completed. When the car is put into a roadworthy condition and is free of bumps, scratches and broken windscreen glass, etc, full cover

will apply and warranties should not be breached in any way.

However, if the insured wishes to lend his vehicle to a person who is outside the policy warranties, therefore if a driver under the age of 30 has an accident and a claim is submitted the policy makes provision for the company to impose an excess of \$500. (Normally under age excess from drivers under the age of 25 with most insurance companies is now \$200).

We are completely open about the fact that the policy does not cater for people who do not qualify for the warranties.

(5) Your writer then goes on to comment that the Motopak policy is also limited to social, domestic and pleasure purposes and has definition, ours, has been stated that this excludes the use of the car to go to and from work or other business or occupational functions and we do stress that this is definitely incorrect. Our definition of private type vehicles is "private means that depreciation and/or running expenses have not been claimed for any tax purposes except for farmers saloon type vehicles". Again the fact that Motopak Executive is the business type policy and the definition of the business vehicle and owners thereof is as follows:

"Motopak Executive is only available for motor cars and station wagons of self-employed, sole proprietor, partners and shareholders actively engaged in private enterprises". Age of vehicle, age of driver and claims and accident for three years is the same criterial in Motopak.

(6) It is interesting to note that NBR telephoned a local agent in Motopak Auto Insurance in Wellington but did not bother to contact or discuss his queries with the principal who designed the product, which is our company, or for that matter the underwriters, QBE Insurance Limited, and we would like to answer the questions as reported in your newspaper with the correct answers.

The question was "what happens when there is a claim — will the premium go up?" Answer "you will notice that Motopak does not have a no claims bonus like the conventional type policy does. Under the conventional no claims bonus system that person has a claim and the premium is increased anywhere from 40 to 100 percent and in some cases imposed an increased excess to the policy".

If the person has had a claim while he is insured with Motopak Auto Insurance he could not truthfully sign the warranty the year after when the policy is expired and has to be renewed. The only people that will be in the Motopak Auto Insurance scheme, whether it be for Motopak or Motopak Executive, are people who are completely claims and accident free for at least three years on entry and also at renewal. Such persons who have had an accident during the year will not be penalised any more than with a normal motor vehicle policy. In fact our renewal terms will still give them greater cover at a more competitive premium than is available from a normal motor vehicle policy.

The conditions in this policy will be identical to the standard Motopak policy except

whatever you need in steel, tubes, pipes, fittings, fasteners, and flanges, Steel & Tube can deliver. We're the country's leading steel merchants, with the widest range of supplies in stock.

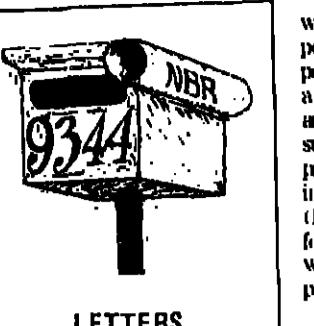
We are also agents for some of the leading manufacturers in New Zealand, the U.K., Japan and Australia. For your next steel order, call in the professionals.

Steel is our business — call us

**Steel & Tube**  
New Zealand Limited

Branches at: Auckland, Hamilton, Mount Maunganui, Rotorua, New Plymouth, Napier, Palmerston North, Wellington, Nelson, Christchurch, Timaru, Dunedin, Invercargill.

Model constructed from Copper Pin, Scaffold Fitting, Scaffold Tube, Hydraulic Tube, Deformed Rounds, Concentric Reducer (Butt Weld), Blank ASA 150 Flange, Steel Gauze, High Tensile Bolt & Nut.



LETTERS



Whatever you need in steel, tubes, pipes, fittings, fasteners, and flanges, Steel & Tube can deliver. We're the country's leading steel merchants, with the widest range of supplies in stock.

We are also agents for some of the leading manufacturers in New Zealand, the U.K., Japan and Australia. For your next steel order, call in the professionals.

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Page 101

Page 6 offers more than just a room for the night

Steel is our business — call us

**Steel & Tube**  
New Zealand Limited

Branches at: Auckland, Hamilton, Mount Maunganui, Rotorua, New Plymouth, Napier, Palmerston North, Wellington, Nelson, Christchurch, Timaru, Dunedin, Invercargill.

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## Employers face greying workforce phenomenon

by Rue Mazengarb

BY THE year 2000, some 700 million of the world's workforce will be aged over 45 — an increase of 75 per cent from the 400 million or so recorded in 1980.

Dubbed the "greying" workforce, the phenomenon is one that most New Zealand employers have yet to come to grips with.

The older workers do not raise problems so long as they are working. The trouble starts if and when they lose their jobs.

The workers then are swept suddenly from full-time employment to the longest holiday of their life.

Superannuation and pension schemes may ensure retired employees don't take a drop in standard of living. But few employees look beyond economies to the other essential features of an enjoyable retirement, such as good health and a fully occupied life.

Subsequently they find the transition a traumatic experience.

The question of how far employers should go to ensure that employees have a happy and profitable time in retirement is one that is starting to occupy New Zealand employers right now. But few have gone further than identifying the problem.

Pre-retirement planning can ease the transition and a few companies are working actively in this area.

The old NAC kicked off back in 1970 with a scheme to prepare employees for early retirement. It has been reinstituted recently for the merged company.

Because of the large numbers of workers involved, the domestic airline initially limited the scheme to those who had served 15 years with the corporation. It is hoped eventually it will cover all retiring employees.

They were reticent about talking over their problems. Tough economic times could have been behind the low response from the employers.

Employers' use of a third party to handle the pre-retirement conditioning is a good idea as far as it goes.

Outside seminars help cushion the experience for

through two-day seminars just before retirement.

Subjects covered might include financial considerations, health, leisure and relaxation.

Just one seminar has been held this year, but according to Bill Yates, who helped get the programme off the ground, another eight or so seminars are planned before Christmas.

The older workers do not raise problems so long as they are working. The trouble starts if and when they lose their jobs.

The workers then are swept suddenly from full-time employment to the longest holiday of their life.

Superannuation and pension

companies are going to have to move into this area of manpower planning but says the skill comes in not over-doing it.

He accuses some companies of taking a paternalist view of their employees in their attempts to include this type of service in the employment package.

The job involves travelling around the country, visiting retired staff and relaying their problems back to the company.

In turn, the officers are able to pass on information about the company and other retired workers.

Borthwick's scheme was the brain-storm of managing director Peter Norman, who felt that some system could be devised whereby links between the company and long-serving staff could be retained even after retirement.

Initially limited to superannuitants — from management to clerical staff and some freezing workers — the programme recently was extended to people who retired under the old pension scheme and widows of ex-employees.

Swanton provides another answer to problem of sudden retirement.

Called the "phased out" method of working, the employee gradually drops out of the workforce over a period of years.

From the traditional five-day week, the employee drops to a four-day week and so on until he is ready to stop work altogether.

Borthwick and the BP group are among companies which consider that their responsibilities as employers go beyond the day the employee finishes work.

The rationale is that where the employee has served the company for many years, the company should help them

through retirement.

During retirement.

Whilst several companies say they invite retired staff back for functions and send them copies of in-house magazines to keep them informed of company progress, BP and Borthwick both retain after-retirement liaison officers.

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SIR FRANK HEMES  
"distinction between secrecy and poor co-ordination"

by Geoff Palmer

INFORMATION gives power to those who have it and deprives those who do not. The near monopoly on information enjoyed by government is an important source of executive power in New Zealand. An increase in the amount of government information available to parliament and the public should assist in the checking and scrutinising of decisions reached by the executive branch of government.

As a famous American judge, Mr Justice Brandeis, once said: "Publicity is justly commended as a remedy for social and industrial disease. Sunlight is said to be the best disinfectant and electric light the most efficient policeman."

### Secrecy in New Zealand

Government in New Zealand is organised on the opposite principle. The presumption is in favour of secrecy and that

## Information gives power to those who have it and deprives those who do not

preference is backed by extraordinarily severe laws.

The heavy artillery protecting official information appears in the Official Secrets Act 1951, a piece of legislation which also contains provisions about spying and harbouring spies, unlawful use of uniforms and interfering with persons on guard at prohibited places. The Act contains an ugly provision which casts the burden of proving innocence on the accused if "from the circumstances of the case, or the conduct of the accused person, or his known character as proved, it appears that his purpose was a purpose prejudicial to the safety or interest of the State . . ."

Some restrictions on the use of official information are necessary. People would be outraged if anyone could have access to their hospital records, the details of their income or their trade secrets. Government holds an enormous amount of information about all citizens on a great variety of topics. It would be unacceptable for all the information to be disclosed without restriction. Quite apart from arguments relating to the security of the state, privacy and human considerations demand that not everything be made available.

Cabinet ministers are under severe restrictions as to what they can reveal about information coming into their hands. An executive councillor (which all cabinet ministers are) must swear that he will not directly or indirectly reveal such matters as shall be debated in council and committed to secrecy. The oath

number of other laws which prevent disclosure: The State Services Act 1962 states that a public servant who "directly or indirectly discloses or for private purposes uses any information" acquired in the course of duty breaks the law. (s.58) Further restrictions appear in the Public Service Regulations. Furthermore, the law relating to many secreted activities contains provisions restricting the use of information: for example, census, statistics, taxation, factories and hospital records. The Wanganui Computer Centre Act contains controls on the use of information stored in that facility.

continues to bind ministers even after they have ceased to be ministers. Whether the oath has any application to matters discussed in cabinet must be regarded as legally dubious, however.

Cabinet is the key decision-making body in the New Zealand government. It is protected by a cloak of secrecy. The theory is that the cabinet must be seen to be united on everything. One of the more intriguing questions about cabinet secrecy is whether it will stand up in court. When the diaries of Mr Richard Crossman, a former British cabinet minister, were to be published in England, the attorney-general sought injunctions against the publishers to prevent publication. He failed. Lord Widgery, the chief justice, said the courts would restrain publication if it could be shown that the publication would be a breach of confidence; or that publication would be against the public interest because it would prejudice the doctrine of collective cabinet responsibility, and there was no compelling public interest why they should be published. The passage of time made a difference, however, the chief justice held. In that particular case a lapse of nearly ten years had occurred. In the circumstances it could not be demonstrated that the overriding public interest in non-disclosure was continuing. Restraints on publication would be made only in the clearest cases.

In correspondence preceding the case, the secretary of the cabinet put the case for secrecy this way: "The conventions which in the public interest govern the publication of works by former Ministers have evolved over many years and been accepted by successive administrations. They flow from the two complementary principles of the collective responsibility of the Government as a whole and the personal responsibility of individual Ministers."

"As regards the first of these, the Cabinet meets in secret and the records of its proceedings are secret until of historical interest only . . . Only in this way can completely frank discussions take place between Ministers in the Cabinet and in Cabinet Committees without the risk of extraneous pressure and controversy. It has also always been held vital for good government that other confidential communications between Ministers and between Ministers and their senior civil servants, should be protected from untoward disclosure. This is not a matter which depends on the Official Secrets Act . . . It is based upon the inherent needs of government, and the mutual trust which needs to exist between Ministers and between Ministers and their senior advisers. It is an essential feature of the doctrine of collective responsibility which is the core of our system of government."

Where no attempt is made to invoke the Official Secrets Act, the courts may be more liberal than the executive branch of government in allowing the free flow of government information. On the other hand, it is plain that the courts, as illustrated by the Crossman case, accept the need for confidentiality to surround the proceedings of cabinet for a substantial period. Whether such a collective responsibility is such an important feature of our government to warrant the protection afforded cabinet papers is open to debate. Certainly confidentiality at the time of decision seems necessary, although in many countries "leaks" from such documents are published in the media. Two or three years after the decision should be long enough for the protection to last in many categories. The reasoning of the British cabinet office smacks of paternalism and at bottom depends on the view that the people should not know that the people who make decisions on their behalf may have different opinions from each other.

The courts also control a complicated branch of the law known as crown privilege. That arises where a citizen has sued the government (or perhaps someone else) and requires information from the government which will assist his case. At one time the courts would bow to any claim made by the government that the information sought should not be disclosed in the national interest. In recent years the courts have taken the view that they, not the minister, will make the final decision. And that end a court will look at the information which is the subject of the dispute to see whether it can be disclosed. Again, in this area of the law, we find the courts saying that they will not order disclosure of cabinet documents until such time as they are of historical interest only. Neither will they allow disclosure of documents connected with policy-making and quite a wide range of other matters touching on foreign relations and law enforcement.

Some legislation and practices in New Zealand ensure that the public has access to some official information. The Public Bodies Meetings Act 1962 requires the meetings of a wide range of public bodies to be open to the public. The bodies include local authorities, university councils, school boards, catchment boards, and even the South Canterbury Wallaby Board. The power to exclude the public is given where it is considered that:

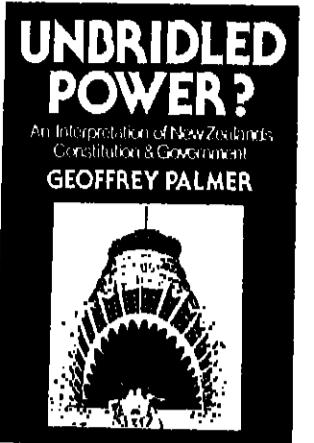
• publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted;

• there are other special reasons arising from the nature of the business;

• publicity would be likely to cause unnecessary personal embarrassment or to unnecessarily damage the personal reputation of any person;

• a public body may treat the need to receive or consider recommendations or advice from sources other than from within the organisation itself as a special reason why publication would be prejudicial to the public interest.

The Public Bodies Meetings Act demands that where the public is excluded from any meeting the "general subject of each matter to be considered while the public is excluded and the reasons for the passing of the resolution



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Caravel

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## have it and deprives those who do not

THE accompanying article is an edited extract from a chapter on access to official information from the new book on the New Zealand constitution by Geoffrey Palmer, professor of law at Victoria University in Wellington. The book, "Unbridled Power?" was published by Oxford University Press and available from bookshops at \$8.95.

books since 1967 and this legislation has recently been revised to make it more effective. In 1977 Congress passed the Government in the Sunshine Act which went further and required public agencies to hold meetings in which the public may participate more fully in the democratic process. Whether collective responsibility is such an important feature of our government to warrant the protection afforded cabinet papers is open to debate. Certainly confidentiality at the time of decision seems necessary, although in many countries "leaks" from such documents are published in the media. Two or three years after the decision should be long enough for the protection to last in many categories. The proposed Code of Practice contains exclusions for information:

- relating to law enforcement;
- relating to defence, foreign relations or internal security;
- which would be privileged against disclosure in litigation;
- which has been entrusted in confidence to a government department;
- the disclosure of which would infringe the privacy of the individual;
- which if disclosed could reasonably expose the person disclosing it to significant risk of proceedings for defamation.

The proposal has great strengths in the New Zealand context, although the exclusions seem more generous

than necessary. It would avoid the need for legislation which would inevitably have to be amended, perhaps frequently. It would allow practice to evolve without suddenly throwing the administration of government into confusion or placing it in an adversarial relationship with members of the public. Yet it would provide for fundamental change in government's approach to the availability of information to the public. Such a proposal should be combined with the provision of the fullest information available to the executive about a bill upon the occasion of its introduction to parliament. No change in the law is necessary to accomplish that.

Another change which could cut down the power of the executive would be to give parliamentary select committees much wider powers to elicit information from public servants and ministers. Ministers should have to appear before select committees and if they appear accompanied by their top public

servants there should be no inhibitions about having questions answered. Real parliamentary scrutiny will never be effective unless there is a capacity to secure all relevant information and a willingness on both sides to be candid.

There are a number of areas where disclosure of information would be of practical importance to the citizen. The Department of Social Welfare operates through the use of manuals. These manuals tell staff how to handle various problems which arise in the processing of applications for benefit. They detail the manner in which certain discretions in the legislation are to be exercised. The effect of such a practice is that all manuals relating to any matter in which a department deals with the public or a section of the public should be available for public inspection on request. Few policies could be as simple as to remove suspicion from the minds of those who must deal with government.



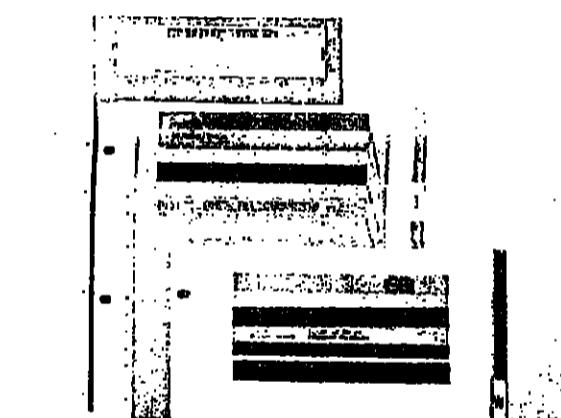
MICHAEL MINOGUE  
"critical and investigatory role"

for keeping the rules secret. If they are fair and lawful they should be known; if they are not, they should be known so that they can be attacked. It should be government policy that all manuals relating to any matter in which a department deals with the public or a section of the public should be available for public inspection on request. Few policies could be as simple as to remove suspicion from the minds of those who must deal with government.

## Microfiche Retention and Retrieval

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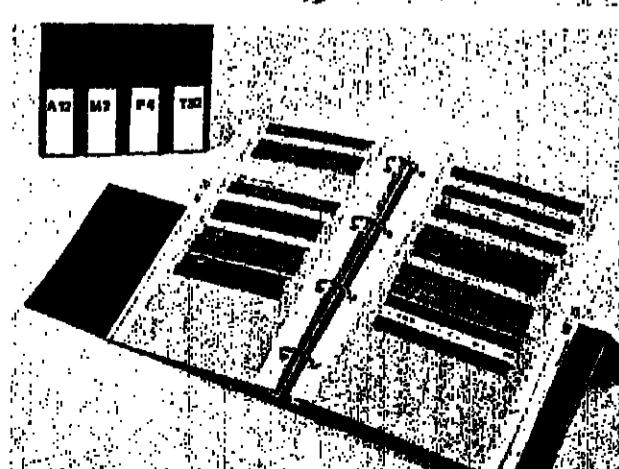
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# Policy-makers avoid common sense

by David Boswell

IT has been known for some years that Maui gas would be on shore by 1979.

Most people would have concluded that, in anticipation of that event, decisions would have been made on how that gas would be distributed. But common sense and Government policy don't go together, and, although that gas is now ashore no decision has yet been made on who will be responsible for its distribution.

"Goals and Guidelines, an Energy Strategy for New Zealand," was published by the Minister of Energy in May, 1978.

Apparently the original draft did contain some form recommendations, but these were deleted from the published edition.

The original draft proposed that electricity supply authorities should unite to form energy authorities selling both electricity and gas. It stated: "Despite some progress with amalgamation in the past there are still 61 electricity supply authorities of various kinds, and the Municipal Corporations Act, 1954, permits a proliferation of gas undertakings. The existing arrangements do not make the best use of such scarce resources as skilled labour, and the unnecessary addition of further organisations would be contrary to the best interests of consumers in the industry and the nation."

The expurgated edition did note that there were a number of common characteristics in electricity and gas distribution, namely:

- There are economies of scale in larger units arising from better utilisation of technical manpower, specialised plant, vehicles, communication networks and administrative structures;
- Installation and operation can be co-ordinated with other similar energy forms so as to yield significant joint economies;
- A wide range of consumers, and appreciable size of authority, allows each authority to achieve tariffs close to the national average;
- Communities or regions can retain a local interest.

The conclusion was that "a rationalisation of energy distribution is needed".

The 1978 National Party manifesto stated that: "Where gas and electricity are being reticulated in a district, then its supply, distribution and regulation should be co-ordinated to ensure its most efficient distribution and utilisation. The basis of gas distribution to new districts will be decided on the foregoing principles and decisions will be taken by Government as gas becomes available."

The gas is available now: where are the decisions?

We are fortunate in that we have a pilot scheme in operation to demonstrate how the co-ordination of gas and electricity distribution does work in practice. At the fourth New Zealand Energy Conference the general manager of the Hutt Valley Electric Power and Gas Board presented a paper titled "An Area Energy Authority in Action." The paper presented facts to support the conclusion that there is an uncontrollable case for the co-ordination of electricity and gas distribution.

The general manager of the

Natural Gas Corporation has stated that it would be a disaster if there were a large number of small authorities to whom the corporation had to deliver gas.

The Territorial Energy Authorities Association believes that there are only two realistic options for future organisation, namely:

- Distribution as a function of multi-purpose regional authorities;
- Distribution as the function of special purpose regional energy authorities;

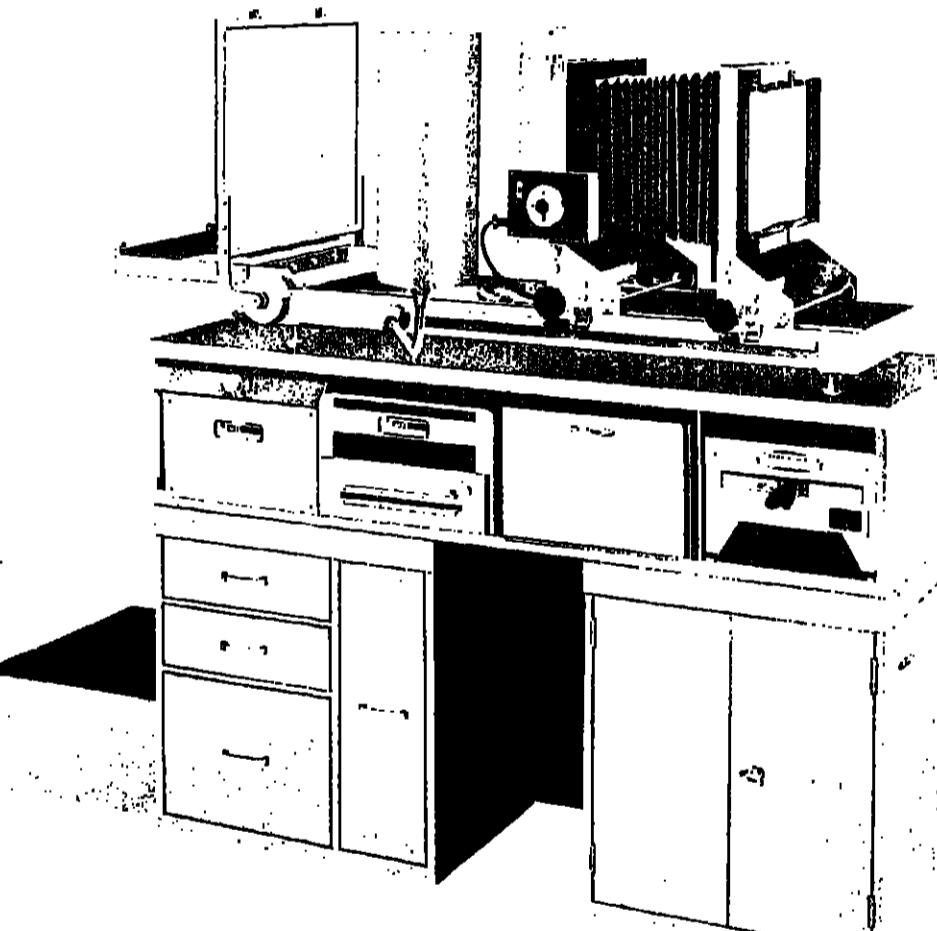
Zealand favour the first. Whatever option is finally adopted, immediate priority should be given to establishing regional energy authorities now.

Once these authorities are functioning efficiently it would require only a minor amendment to an Act of Parliament so decided to transfer them to a regional authority. The efficient operation of regional authorities is somewhere in the future, many of them are not yet constituted and the time for action is now. Surely the Government must realise that it cannot postpone making a decision indefinitely.

The Territorial Association favours the second option; the Electric Power Boards of New

Zealand favour the first. Whatever option is finally adopted, immediate priority should be given to establishing regional energy authorities now.

## How far can xerographic technology go?



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## Automatic tellers clock in for work

WITH the advent of machine readable identifying plastic cards, New Zealand banks are moving slowly but surely into the use of computer terminal equipment at the customer end of the bank transaction.

The first "automatic teller" machine arrived last month in one of the ANZ Bank's Wellington branches, allowing account holders to make chequeless withdrawals of funds and inquiries on the state of their account, without interfacing with a human teller or waiting in a queue behind others with more complex transactions.

Most other banks are

making at least some plans in the automatic teller direction.

Farthest advanced after ANZ is the Bank of New Zealand, which this month is expecting to get two IBM teller terminals for evaluation.

The National Bank was visited last month by a representative of United Kingdom parent organisation Lloyds Bank.

Lloyds was the first United Kingdom bank to introduce teller terminals. Gordon Hague, Lloyds general manager of Information Services, insisted that he was not here to influence the

National Bank in its automatic teller plans, merely to communicate Lloyds experiences in the field.

"Planning processes are in motion" at the National Bank for installation of automatic tellers, but there were no terminals in any branch yet, even under test, said a spokesman.

Hague spoke enthusiastically about the savings both for the bank and for customers, resulting from the use of automatic tellers. In direct monetary terms, he pointed out, a cheque cost the equivalent of 56 cents to process, while the cost of an

automatic transaction is 13 cents.

Lloyd's is now beginning to pass this saving to its customers, in terms of a 40 per cent reduction in bank charges for automatic transactions.

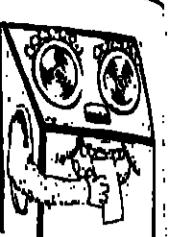
Added to this was the obvious saving in queuing time for the customer, and the ability to transact business at any branch with automatic identification.

United Kingdom banks are moving one step at a time, but it is interesting to note that the first terminal—or rather pair of terminals—installed by the ANZ Bank provides for enquiry as well as withdrawal, and also has facilities for

bank sites, from stores to places of employment. Most other United Kingdom banks have followed Lloyds into automatic tellers.

Inquiry facilities are already available on wall terminals, and the next step is the installation of "creditpoints" allowing a customer to deposit money in his account at a terminal.

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COMPUTERS

by Warren Berryman

MR Justice Barker has turned down the recommendation of Securitibank creditors that Chas Sturt and Harold Goodman be appointed joint liquidators.

In Auckland Supreme Court, the judge appointed Goodman as sole liquidator 90 hours after an all-day hearing.

Sturt was turned down

because the court said he

hadn't sufficient experience.

One point pursued by Mr Justice Barker throughout the hearing was whether there was a good case for the appointment of Sturt as a joint liquidator. Might it not be better, or cheaper, to appoint Goodman as liquidator and have Sturt continue in his present role as investigator? That question was central to much of the debate.

"Ultimately, one would hope that when the long-awaited Section 9A report appears, Goodman as liquidator will be provided with a copy and that he will be permitted to make it available to Sturt," Barker said.

Both Goodman and Sturt said they considered themselves adequately qualified to act on their own.

Mr Justice Barker also appointed John Norby and Victor Jowsey to the committee of inspection.

Securitibank investors consortium secretary Jack Anderson received nearly double the number of votes as did Jowsey at the creditors meeting.

But Jowsey had a slight edge

on Anderson in value of votes.

The central issues argued at the court hearing were:

Whether Sturt was qualified for the job. Counsel for the consortium, Derek Firth, supported Sturt's ap-

pointment. The Official Assignee, Ernie Gould, opposed Sturt.

Whether other nominees for Securitibank's liquidator, who also acted as auditors to one or more Securitibank shareholders, should or should not be seen as virtue of this position as auditor, to be seen to have interests in conflict with those of liquidator.

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CBL will talk plain English. Business English. If you're interested we'll be happy to explain how your system works but we'll never hide behind a barrage of jargon and technical language.

# Employee stockholders set US business trend ownership pushes up productivity levels

by Philip Greer

FOUR years ago John Lupien was a supervisor at an asbestos mine in northern Vermont. The United States Environmental Protection Agency (EPA) ordered the mine's owner to install \$1.3 million worth of anti-pollution equipment. The company decided to close the mine.

With Lupien in the lead, the miners decided to buy the mine and preserve its 180 jobs. With \$100,000 of their own money and aided by \$2 million in loans from local banks and state agencies, the employees took over the mine and installed Lupien as chairman of the board of the newly named Vermont Asbestos Group.

In the three years that followed, the mine prospered as the market price of asbestos took a sudden — and unexpected — turn upward. The employees' shares, bought for \$50 each, soared to a value of more than \$2300. In its first year under employee ownership, the mine paid a dividend of \$50 a share,

returning the entire initial investment. The next year, a dividend of \$60 a share was paid. The EPA's requirements were met in the first year of operation.

A few kilometers away, in Saratoga Springs, New York, Donald Cox is president of Saratoga Knitting Mills, bought by its employees from Cluett Peabody & Company in June 1975. In its last fiscal year under Cluett Peabody management, the mill shipped out \$3.5 million worth of lightweight fabric used for making women's undergarments. In 1977 its sales were \$9.75 million.

While both operations have been successful under employee ownership, their stories have different endings. Lupien was forced out as chairman of Vermont Asbestos Group early in 1978, after the stockholders voted to replace all but one member of the board. "I may have been a moneymaker," he says, "but I was bad at politics. As soon as a worker gets some stock he becomes a capitalist. He

figures on the extent of the trend, chiefly because "ownership" can vary from employee trusts that hold only a few per cent of a company's outstanding shares to outright ownership, either through trusts or through direct share sales.

A number of agencies, both public and private, are involved in the conversions, but their estimates of the number of firms controlled by their employees range from "50 or 60" by an official of the United States Department of Labour to "300 to 500" by a nonprofit organisation that provides technical advice.

Louis Kelso of San Francisco, who originated the idea of Employee Stock Option Trusts (ESOTs), which are rapidly gaining in popularity, says he has worked on 600 to 700.

There isn't any question, though, that employee ownership has been successful. A 1977 study by the Institute for Social Research at the University of Michigan showed that 30 employee-owned firms for which data

is available had a higher level of profit than conventionally owned firms in the same business.

A United States National Science Foundation study in 1975 found that worker productivity increased in 10 per cent of the employee-owned firms it studied.

Some individual cases are even more impressive. The plywood companies have consistently outperformed their privately owned competitors. One study in 1968 concluded that the productivity of its companies was 30 per cent higher than at firms that were not owned by their employees.

Although he is a supporter of employee ownership, Greenberg agreed with the conclusion of the arrangement as with problems.

"If you look at it in terms — how well does the company do in its

producing its product and so on," he says. "It's very clear that they equal or surpass regular companies. From the point of view of the professional manager, though, it's a pain... At the smaller companies or cooperatives, you see people walking in and out in work clothes.

Company contributions to the trust are tax-deductible, making ESOTs a popular way to raise capital for expansion.

In addition, in 1976, Congress allowed companies buying new equipment and thus entitled to a credit against their income taxes equal to 10 per cent of the cost of the equipment, to take an additional one per cent if a like amount was contributed to an ESOT.

Economist Kelso, who developed the ESOT concept more than 20 years ago, says it is based on the theory that there are two factors of production — labour and capital. ESOTs, he says, are a means for the labour to acquire the capital (such as machinery and plants, which are acquired through the stock ownership) in such a

makes payments to the ESOT, which are used to repay the loans. When the loan is fully paid, the shares are distributed to the employee-beneficiaries of the trust.

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way that the capital will make have-nots out of the have-haves."

The growth of ESOTs so far has come in the face of strong opposition from organised labour. Economists for labour unions say the ESOTs have been used as a substitute for the more common pension plans and that they are dangerous because the employees must rely on the fortunes of one company rather than enjoying the diversification of their assets that they would get in a pension plan.

"It is not a give-away technique... Our technique is personal. It makes have-nots out of the have-haves without

One is called a GSOC, or General Stock Ownership Corporation, in which company shares are owned by people in the community, whether employees or not, who are directly affected by the fortunes of the company.)

Another popular form of ownership is the worker cooperative. Workers can buy different amounts of stock, but each employee has one vote on corporate policy, no matter how many shares he owns. "It's a way of separating voting control from investment," says John Blanchard of the American Friends Service Committee in Cambridge, Massachusetts, which offers technical advice on establishing co-ops.

Blanchard has worked on only a few cooperatives — meat packing, baking and printing companies among them — and says the key to his plan is enabling workers who cannot afford large investment to have some ownership and an equal voice in the company.

The problem, he says, "is that it's easier to do with a company that is labour-intensive than one that is capital-intensive (requiring large investments of capital for equipment, plants, raw

materials purchases, etc.)" No matter what form the employee ownership takes — ESOTs, cooperatives or simple stock ownership — people who deal with them say they have common problems.

"One of the pitfalls that these companies have," according to John Blanchard, "is not to provide some means of restructuring and education and training to handle the old tensions of organisational development between labour and management.

"They don't disappear. You have to provide a structured and educational format to handle those things in a regular systematic way rather than a haphazard way, so that labour problems don't become management problems. You can alleviate them if you work at it in a gradual and systematic way."

Those involved with the movement say it is inevitable that more and more companies will come to be controlled by their employees.

Says John Lupien: "I believe that in today's society, it is a must that people get involved — even invest in the company they're working for to try to control their own future, their destiny."

THE INDUSTRIAL FRONT

thinks he can run the business better. The workers said I had been lucky for three years."

In Saratoga Springs, Cox has had no trouble with his employee-owners. "The minute my foot hits the sidewalk, everybody knows who's boss," he says. "That's the way you have to do those things." Later in the conversation, he admits he has "backed off that a little lately."

Employee ownership of American business is on the rise. There are no precise

Professor Edward Green-

berg, of the University of Colorado, who has studied industry, attributes three factors: the small investors required to get into business ("all you need is power saw," he says) and the tradition of ownership in many of the workers' home countries.

Some individual cases are even more impressive. The plywood companies have consistently outperformed their privately owned competitors. One study in 1968 concluded that the productivity of its companies was 30 per cent higher than at firms that were not owned by their employees.

Although he is a supporter of employee ownership, Greenberg agreed with the conclusion of the arrangement as with problems.

"If you look at it in terms — how well does the company do in its

purposes and periodically

producing its product and so on," he says. "It's very clear that they equal or surpass regular companies. From the point of view of the professional manager, though, it's a pain... At the smaller companies or cooperatives, you see people walking in and out in work clothes.

Company contributions to the trust are tax-deductible, making ESOTs a popular way to raise capital for expansion.

In addition, in 1976, Congress allowed companies buying new equipment and thus entitled to a credit against their income taxes equal to 10 per cent of the cost of the equipment, to take an additional one per cent if a like amount was contributed to an ESOT.

Economist Kelso, who developed the ESOT concept more than 20 years ago, says it is based on the theory that there are two factors of production — labour and capital. ESOTs, he says, are a means for the labour to acquire the capital (such as machinery and plants, which are acquired through the stock ownership) in such a

way that the capital will make have-nots out of the have-haves."

The growth of ESOTs so far has come in the face of strong opposition from organised labour. Economists for labour unions say the ESOTs have been used as a substitute for the more common pension plans and that they are dangerous because the employees must rely on the fortunes of one company rather than enjoying the diversification of their assets that they would get in a pension plan.

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ASBESTOS kills in several ways. First, there is asbestos. Tiny invisible asbestos fibres in the air are inhaled. They irritate the lung leaving scars in the small tubes and air sacs. This scarring is called fibrosis.

It thickens the lining of the lung's air sacs inhibiting the passage of oxygen from the air to the blood. This in turn puts a strain on the heart. The victim can die of heart failure or suffocation.

Once the scarring starts it is irreversible. Scarring left to reach an advanced stage will continue even if the victim is removed from the source of exposure.

Death can be put down to suffocation or heart failure. The root cause, asbestos, will not be discovered unless suspected and a post mortem examination is made on the victim's lungs.

Lung cancer caused by asbestos is little different from that caused by smoking. It can rarely be cured. Victims usually

live from six to nine months.

Mesothelioma is a rare type of cancer almost always caused by asbestos after exposure as short as one day. This cancer affects the lining of the lung and abdomen. It is incurable. It kills within six months to two years. People exposed to asbestos show increased death tendency from cancer of the stomach, oesophagus, and bowel.

American medical researchers estimate that 45 per cent of all asbestos workers will die of some form of cancer. Depending on the level of exposure to asbestos, the chance of getting cancer of any kind is three to four times higher than an unexposed worker. Deaths from lung cancer are roughly seven times higher for asbestos workers and deaths from gastro-intestinal cancers are roughly three times higher.

About 10 per cent of asbestos related deaths are due to mesothelioma. It takes most people 20 years from the time of

exposure to develop cancer. Many workers become sick after they have left the job and may not even remember they were exposed to asbestos or when.

The causal link between asbestos exposure and asbestos death is not drawn unless it is suspected and established autopsy and lung examination with an electron microscope.

The causal link has been established overseas. So far, so good, except where the link has been obvious and forced on the public's nose by concerned trade unions.

American expert on asbestos related disease, Prof. Silberg of the Mount Sinai School of Medicine, estimates the risk of lung cancer is 90 times greater for an asbestos worker if he smokes. This is because of the synergism between tobacco smoke and asbestos fibres.

## Asbestos lobby successfully quashes fears

by Warren Berryman

THE asbestos lobby has been successful in New Zealand in playing down the dangers of asbestos.

For example, following an asbestos scare, James Hardie and Co, New Zealand's only manufacturer of asbestos cement building products and pipes published a background paper titled *Asbestos and Health* in December 1978.

It said: "Our belief, backed by expert study of all available medical research, is that the risks which were once associated with asbestos have been virtually eliminated in the manufacture of asbestos cement products."

The paper said that mesothelioma is most commonly associated with blue asbestos which is banned in most countries and has not been used here in Hardie products for a decade.

It stressed that dangers were associated with prolonged exposure to excessive quantities of asbestos dust when the health hazards

were insufficiently appreciated and controls inadequate.

Hardie said that 90 per cent of the asbestos used in this country is bound into asbestos cement products. As the cement binds the fibres there is minimum risk of dust — except when the product is being milled or sawn.

Skilled tradesmen working with asbestos cement products can eliminate the dust risk by cutting or milling it wet. But the general public may not be aware of the dangers when working in their own homes.

While most researchers would agree with James Hardie's point that asbestos cement products are the safest form of asbestos use they would not agree with their conclusions about only high levels or prolonged exposure to asbestos dust being dangerous.

Nor would they agree with the implication that now that we have banned blue asbestos all will be right.

James Hardie also operates in Australia. In March, James

Hardie of Australia offered \$1,958 in compensation to employees permanently disabled as a result of working with asbestos.

Officers of the New South Wales Health Commission are investigating two sites where James Hardie dumped asbestos waste. This investigation was initiated by an ABC television programme "Nationwide" on the alleged health hazards of asbestos waste dumped by the company in Sydney.

Australian Labour Party MP John Kerin called James Hardie's background paper a "masterpiece of deception".

The industry overall has lulled public awareness and dulled bureaucratic surveillance through control of information, and generally created an environment which is highly profitable to companies such as Hardie but which is deadly for its workforce and the population at large," Kerin said.

Kerin asked the Australian Parliament to replace

asbestos industry representatives on such Government bodies as the National Health and Medical Research Council.

"It is one of the absurdities of our society that representatives of an industry which is exposing its workers and the community to the risks of asbestos-related diseases are advising governments on aspects of public health and welfare," he said.

Awareness of the dangers related to asbestos in Australia has led to a corresponding increase in cases of compensation for sufferers.

Up to 1975 only 30 people in New South Wales had received compensation for these diseases. Compensations for asbestos victims in the State are now running in excess of 40 persons a year.

This increase is partially due to the long time lag between exposure and death. It is also due to awareness, leading to establishment of cause and effect.

There are five types of

the Health Department test for asbestos dust in the workplace, the results confidential to the department and the employer.

By comparison, NZ law demands regular level testing in work with asbestos dust workers have full access to both the final reports for carry out.

Most publicity related to asbestos dangers in this country has been in regard to blue asbestos. There is still a lot of blue asbestos already in place in buildings throughout the country.

Australian medical authorities are presently trying to locate New Zealanders who worked or lived in the West Australian town of Wittenoom. Blue asbestos was mined near Wittenoom and the streets of the tiny outback town are still gravelled with asbestos tailings from the mine.

Wittenoom has been closed down — both the town and the mines. Tests on hundreds of workers from Wittenoom have revealed scores of asbestos related diseases. The search is on here for New Zealanders known to have lived or worked in the town.

Auckland railway workers recently discovered, on inspection of a damaged Silver Star carriage, that it was lined with blue asbestos.

Investigations by the National Union of Railwaysmen show that blue asbestos had been installed in all these cars during construction in Japan.

Con O'Leary, branch secretary of the Otago branch of the union presented these facts to the 1979 NRU biennial conference.

"This is an indictment of the Railways Department and its system of overseas contracting," he said.

"Either the blue asbestos

was specified in the contract,

which is an indication of

engineering incompetence in

the light of prevailing medical

and industrial opinion; or it

was left unspecified, which is

an indication of negligence on

the part of those responsible in

the department.

"The department agreed to

replace the insulation in the

damaged section with

fibre-glass — but the problem

will recur constantly and with

the blue asbestos becoming

more crumbly and dusty with

age."

O'Leary said: "There is a

great deal of false and

misleading information

available."

He described some as

coming from "well intentioned

but scientifically muddled

organisations such as the New

Zealand Health Department."

O'Leary's remarks about the

Health Department were

compared with those coming

from other unions such as the

frontline facing asbestos ex-

posure.

Some unions accuse the

Health Department of

white-washing asbestos

dangers. The white-wash

theory is supported by the

Health Department's

secretary, they said. When



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American expert on asbestos related disease, Prof. Silberg of the Mount Sinai School of Medicine, estimates the risk of lung cancer is 90 times greater for an asbestos worker if he smokes. This is because of the synergism between tobacco smoke and asbestos fibres.

Others were not so sure the

Health Department had done

its job properly.

Some suggested a whitewash

job.

He said the asbestos might

have been safe enough when

installed, but with time the

bonding agent holding the

fibres together could break

down. And the lethal fibres, so

tiny they could only be

detected with an electron

microscope, would be blown

round the building.

This had happened overseas.

And the asbestos found on the

employee's desk could be

taken as evidence that the

bonding material was not all

that durable.

Both unions were concerned

that asbestos dust might have

been blown throughout the

building and breathed by

employees.

## Union leader labels asbestos: "time bomb"

by Warren Berryman

MANY of the 400 workers employed in Auckland's civic administration building heaved a sigh of relief when the Department of Health delivered an all clear report ending this country's most recent asbestos scare.

Asbestos causes several types of cancer and asbestos, generally incurable.

The assistant secretary of

the Engineer's Union

Auckland branch, Jim Butterworth, has become something of a New Zealand authority on asbestos related deaths in the workplace. After studying the civic situation he described the ventilation system as a time bomb.

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round the building.

They asked why only two

fibres out of 20 were tested?

There was also the

hypothetical question of what

might have happened to the

fibres if the test report had

shown a hazard.

The Health Department

called up a selection of

ventilation engineers who

were incredulous that asbestos

should have been used on the

interior of a ventilation

system. They concluded with

Butterworth that it should be

removed.

The asbestos used in the first place and should be removed.

NHRC called